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PRIME MINISTER

In his minute of 18 July to you, Norman Tebbit says that the paper produced by officials has suffered from the prior commitment of representatives of the territorial Departments to the present arrangements for overseas promotion. So far as the Welsh Office is concerned, this is not so. Personal experience of leading five inward investment missions to the United States and Japan has led me to conclude that the effort put in by the United Kingdom as a whole in this area needs to be substantially improved. The benefits of inward investment are very real. It is in the national interest as well as in the interests of Assisted Regions such as Wales to maximise the inflow of such projects. I am on record as having said that if a truly effective and professional all-UK operation were to be established I would be prepared to see the present distinctive activities of WINvest assimilated within it. The outcry from the Principality would be loud and long but I would be prepared to defend such a move and to go on vigorously discouraging freelance activities by local authorities and similar bodies if I were convinced that new all-UK arrangements promised tangible benefits in terms of projects and jobs to Wales and to other parts of the country. The papers before us however provide no basis for such a conclusion.

The approach of Welsh Office officials to this exercise in fact reflected my own views. The difficulty they faced - and which I now face - is that whilst the two 'integration Options' identified (1 and 2 in the officials' paper) offer prospects of a more co-ordinated promotional effort on the ground in the United States they would neither of them as they stand secure the sort of integrated promotion/marketing/selling/negotiating operation which I consider to be the key to success in this area. Such an integrated 'one-stop-shop' has contributed greatly to the success of the Irish Development Agency in the past decade and it is increasingly the hallmark of Locate in Scotland and WINvest. The officials' paper says with reference to Options 1 and 2 that "it would be necessary to establish in the UK a supervisory board". Such supervision however falls a long way short of the sort of integration of home and overseas work that I consider to be essential.

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It was in the face of an apparent inability to identify a properly integrated all-UK operation that my officials put forward Option 3 for consideration. This would secure a substantial improvement in the co-ordination of the regional/territorial bodies' activities in the United States and those of the Diplomatic Service posts whilst retaining the vital bond between the individual sales forces and their own UK bases. Given the deep-seated weakness - in terms of effectiveness and professionalism not just territorial politics - which is common to Options 1 and 2 I do not think this alternative should be rejected out of hand.

To sum up my position:

(a) The so-called integration Options (1 and 2) we have before us do not represent workable and professional arrangements such as would enable me to defend a decision in effect to abandon WINvest's activities in the United States.

(b) If Option 3 is rejected then the right course is to retain the present arrangements whilst seeking further co-ordination on the ground in the United States (Option 4). To abandon arrangements that, for all their apparent lack of co-ordination, do seem to be producing results in areas of the country that have got their act together and without having any confidence that the alternative would produce equal or better results is a course fraught with difficulty.

Copies of this minute go to E(A) colleagues, to Geoffrey Howe and to Sir Robert Armstrong.

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27 July 1984

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Trade 2/81 Inward Investment

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SECRETARY OF STATE FOR SCOTLAND

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

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PRIME MINISTER

23 July 1984

REVIEW OF INWARD INVESTMENT PROMOTION

I have seen Norman Tebbit's minute to you of 18 July. The arrangements for the promotion of inward investment are a matter of greatest importance to me in view of the major role played by overseas companies in Scotland. However Norman's proposals cut right across the policy, agreed with colleagues, which I have developed in Scotland since 1981 of establishing a single co-ordinated office under my control for the more effective promotion of Scotland overseas in place of the efforts of the multiplicity of the agencies that preceded it. Backed by legislation I introduced to control local authorities (to which there is still no parallel in England) our activities in Scotland are now properly co-ordinated; and the success of LIS is the strongest weapon in ensuring that local authorities continue to co-operate fully with it. Norman's proposals would unwind much of this initiative and are therefore unacceptable to me.

Norman's argument fails to recognise that the distinctive contributions we can each make enhance the gain from inward investment to the UK as a whole. Agencies such as Locate in Scotland whose activities are specifically targetted complement the wider representational role of IBB and FCO. The officials' report fails to recognise that cost effectiveness should be judged by success in securing new inward investment. This is not just a matter of administrative tidiness and centralised bureacratic control. Locate in Scotland has helped to secure a 70 per cent increase in the number of new investors over the past 2 years and a commitment of over £800 million in investment to the economy since 1981, a record that speaks for itself. This activity is of benefit to the UK as a whole and is essential if we are not to lose out to other countries in Europe.

We have achieved rare political consensus in Scotland for Locate in Scotland's promotion of inward investment largely because of this record of success. Setting it up is widely regarded as one of the most important initiatives which I have been able to take on the industrial and economic front. It has played a major role in providing much needed employment opportunities at a time when much of our economic base has been in decline. Reaction in Parliament, press and public to recent unfortunately timed speculation has demonstrated unanimous support from Scottish MPs, including our own supporters, from the CBI and other Scottish institutions. It would be considered incomprehensible if we were now to throw away these very real achievements.

I do not share Norman's view of the assessment made by the Foreign and Commonwealth Office. I am as keen on co-ordination as anyone and have secured it in Scotland. The problems referred to in the report covered English regional authorities and new towns, not simply Scotland and Wales; yet Norman proposes no action on them. The good relationship between LIS and the Consulate in San Francisco which is referred to in the report is our aim elsewhere; and I understand that the steps I have taken over the last year are accepted as having achieved that. As for waste, I do not think that is a proper description of our seven executive staff in four small offices in the States, seen against the £800 million investment secured.

The success of LIS is based on a detailed strategy agreed in a steering group which I chair. I suggest that a similar steering group comprising Ministers most closely concerned should oversee the UK promotion effort as a whole so that we can satisfy ourselves that results are achieved and co-ordination is effective. Whatever we do we must not play into the hands of our rivals by disrupting an increasingly successful effort aimed at the attraction of inward investment at a time of maximum opportunity.

I am copying this minute to E(A) colleagues, to Geoffrey Howe and to Sir Robert Armstrong.

G.Y.

G.Y.

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Chancellor of the Duchy of Lancaster

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AG 23/7

PRIME MINISTER

REVIEW OF INWARD INVESTMENT PROMOTION

I have seen the Trade and Industry Secretary's minute to you of 18 July.

My own preference is strongly in favour of Option 1, viz complete integration. Given a Steering Committee comprising the territorial Secretaries of State and the Trade and Industry Secretary and with a remit to continue a distinctive territorial flavour to their operations, I see no reason why such an integrated system should not work efficiently and give effective and distinctive coverage to all three component countries. We do not yet have English, Welsh or Scottish passports and I see no need unnecessarily to encourage fissiparous tendencies.

I am copying this minute to other members of E(A), to Geoffrey Howe and to Sir Robert Armstrong.

A.C.

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Inward Investment

23 JUL 1984

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AT 20/7

MR TURNBULL 20 July 1984

c Mr Redwood

MANAGEMENT OF INWARD INVESTMENT PROMOTION

Is inward investment a net benefit to the econonmy? If not, why continue to promote it? If it is, what benefits can we expect from changing the management arrangements? As ever, strategy should come before structure.

The officials' review just completed was not aimed at the strategy question. Not surprisingly, it reaches no conclusion on the structure.

The promotion of inward investment costs £18 million per annum. It would be a brave man who could forsee a saving of more than 50% of that to maintain existing levels of investment. Do we want a certain rumpus between the English, Scots, Welsh and Northern Irish for £9 million, when the value of any level of promotion is uncertain?

We recommend:

i. A scrutiny of the costs and benefits of those inward investments which have actually taken place. Territorial departments brag quite loudly about successes achieved, so the records must exist for a scrutiny.

ii. No action on structural arrangements in the meanwhile.

We share Mr Tebbit's distaste for the territorial prickliness which makes the officials' report such uncomfortable reading. If the scrutiny proposal is approved, we suggest the Efficiency Unit and/or Treasury run it.

R.Y.

ROBERT YOUNG

JMHABC

AT

You asked for this to be b/f'd with Ministerial responses to S/S DTI's minute of 18/7.

You have had views from:

Policy Unit 20/7

Scottish Office 23/7

CDL 23/7

Welsh Office 26/7.

Do you expect comments from others, i.e. Ch/Ex, FCS?

No reason to chase. The lottery dealt with by EGA1 under Ch/Exc chairmanship —

[illegible]

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